

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 ISO-00 IO-13 L-03 H-01 PA-01
PRS-01 SP-02 USIA-06 AID-05 EB-07 NSC-05 CIEP-01
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 NEA-10
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P R 270811Z DEC 76
FM AMEMBASSY MANILA
TO SECSTATE WASHDC PRIORITY 4280
INFO USMISSION EC BRUSSELS
AMEMBASSY JAKARTA

TCO N F I D E N T I A L MANILA 19907

USADB

FOR NAC AGENCIES

E. O. 11652: ADS, DECLAS 12/31/77
TAGS: EAID, EFIN
SUBJECT: ASIAN DEVELOPMENT BANK: EEC/INDONESIA SOYA-BEAN PILOT
PROJECT

REF: (A) MANILA 19081 (NOTAL), (B) EC BRUSSELS 12070 (NOTAL),
(C) EC BRUSSELS 12140, (D) MANILA 19891

SUMMARY: ADB HAS BEEN REQUESTED BY EEC TO PROVIDE LIMITED
STAFF ASSISTANCE IN IMPLEMENTATION OF INTEGRATED SOYA-BEAN
PILOT PROJECT IN INDONESIA. COMMISSION WOULD REIMBURSE
BANK FOR ANY DIRECT COSTS AND EXPENDITURE INCURRED. USADB
RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. EEC HAS REACHED AGREEMENT WITH GOVERNMENT OF INDONESIA
TO UNDERTAKE PILOT- PROJECT AIMED AT EXAMINATION OF TECHNICAL
AND ECONOMIC ASPECTS OF SOYA-BEAN CULTIVATION AND RELATED
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ASPECTS OF CROP ROTATION IN SUMATRA, INDONESIA. IN VIEW ITS
LIMITED INVOLVEMENT IN PROJECT AID IN ASIA, EEC HAS
REQUESTED BANK ASSISTANCE, INFORM OF LIMITED STAFF
SERVICES TO IMPLEMENT PROJECT.

2. PURPOSE OF PROJECT IS ESTABLISHMENT OF PILOT-PROJECT

TO CONFIRM ECONOMIC AND TECHNICAL VIABILITY OF LARGE-SCALE AGRICULTURAL DEVELOPMENT IN SUMATRA, BASED MAINLY ON VEGETABLE PROTEIN, I.E., SOYA-BEANS.

PILOT-PROJECT IS FIRST STEP TOWARDS REALIZATION OF PROGRAM FOR DEVELOPING QUOTE NUCLEUS-ESTATES UNQUOTE FOR ANNUAL FOOD CROPS SUCH AS SOYA-BEANS WITHIN FRAMEWORK OF GOI'S TRANSMIGRATION AND AGRICULTURAL DEVELOPMENT POLICY. (UNDER THIS CONCEPT, ESTATE PROVIDES TECHNICAL AND OTHER SUPPORT SERVICES TO SURROUNDING SMALLHOLDER PROCEDURES.) IF ECONOMIC VIABILITY AND TECHNICAL FEASIBILITY OF SULTIVATING SOYA-BEANS AARE CONFIRMED, POSSIBLY ALONG WITH OTHER ROTATION CROPS, GOI, ACCORDING BMEEC, INTENDS TO UNDERTAKE LARGE-SCALE CLEARANCE AND DEVELOPMENT ON BASIS OF NUCLEUS-ESTATES PLUS VILLAGE PLANTATIONS.

3. TOTAL PROJECT COST IS ESTIMATED AT US\$1.75 MILLION. EEC WILL GRANT ONE MILLION UNITS OF ACCOUNT EQUIVALENT TO US\$1.25 MILLION. BALANCE OF US\$0.50 MILLION WILL BE CONTRIBUTED BY GOI, WHICH WILL ALSO IMPLEMENT PROJECT. PROCUREMENT OF GOODS AND SERVICES (CONSULTANTS) WILL BE UNDERTAKEN IN ACCORDANCE WITH PROCEDURES AGREED TO BETWEEN EEC AND GOI.

4. UNDER PROPOSED BANK ASSISTANCE, BANK WOULD NOT (REPEAT NOT) BE INVOLVED IN ANY DIRECT WAY IN PROCUREMENT OF GOODS AND SERVICES, DISBURSEMENT OF FUNDS OR OPERATION OF PROJECT. BANK'S FUNCTIONS WOULD CONCIIST OF (A) ASSISTANCE IN DRAWING UP FINAL TERMS OF REFERENCE FOR PROJECT ITSELF AND FOR CONSULTANTS TO CONFIDENTIAL

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BE RECRUITED; (B) ASSISTANCE IN DEVELOPING MONITORING SYSTEM FOR PROJECT IMPLEMENTATION; (C) PARTICIPATION IN MONITORING PROJECT THROUGH EXAMINATION OF REPORTS, PERIODIC ASSESSMENT OF PROGRESS AGAINST PHYSICAL AND FINANCIAL TARGETS AND PARTICIPATION, FROM TIME TO TIME, IN SUPERVISORY MISSIONS.

5. BANK'S PARTICIPATION WOULD IN NO WAY COMMIT IT TO ACCEPT RESPONSIBILITY FOR CHOICE OR OUTCOME OF PILOT-PROJECT, OR TO PARTICIPATE IN FINANCING OF ANY FUTURE PROJECT WHICH MIGHT RESULT THEREFROM. EEC HAS AGREED TO REIMBURSE BANK FOR ANY DIRECT COSTS AND EXPENDITURES INCURRED. ABOUT ONE MANY-MONTH OF BANK'S PROFESSIONAL STAFF TIME IS ESTIMATED TO BE REQUIRED DURING FIRST YEAR AND 0.5 MAN-MONTH FOR REMAINING LIFE OF PILOT-PROJECT.

6. BEGIN FYI ONLY: ABOVE PROPOSAL IS DISTINCT, DIFFERENT AND SEPARATE FROM ONE CONTAINED IN ADB DOC.

R132-76 (REPORTED REF. A) WHICH DEALS WITH EEC OFFER OF GRANT FUND FOR TECHNICAL ASSISTANCE OPERATIONS TO BE CONDUCTED THROUGH ADB. IT APPEARS, FROM ACCOUNTS GIVEN TO BANK BY EEC STAFF, THAT WHEN EEC COUNCIL OF MINISTERS WAS CONSIDERING VARIOUS PROPOSALS ON NOVEMBER 8, 1976 FOR EXTENDING EEC ASSISTANCE TO NON-TRADITIONAL AREAS IN ASIA, ONE PROPOSAL WAS FOR EEC ASSISTANCE TO INDONESIA FOR ABOVE PROJECT. IN APPROVING OF PROJECT, ONE MEMBER OF COUNCIL OF MINISTERS PROPOSED, AND COUNCIL AGREED, TO STIPULATE, IN EFFECT, THAT ADB SHOULD PLAY SUITABLE ROLE IN CONDUCT OF PILOT-PROJECT. THIS STIPULATION WAS NOT PROPOSED, OR ANTICIPATED, BY EEC STAFF. BANK WAS, THEREFORE, SUBSEQUENTLY APPROACHED BY EEC STAFF FOR COOPERATION, SO AS NOT TO LET STIPULATION HINDER PROGRESS OF PILOT PROJECT OR OTHERWISE CAUSE EMBARRASSEMENT BECAUSE (A) IF AGREEMENT ON PILOT-PROJECT IS NOT SIGNED BETWEEN EEC AND INDONESIA THIS MONTH, CONCERNED FUNDS WOULD LAPSE, WHICH WOULD CAUSE NOT CONFIDENTIAL

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ONLY UNTOWARD EFFECTTS ON PILOT-PROJECT BUT ALSO EMBARRASSMENT BETWEEN EEC AND INDONESIA; (B) SECONDLY, SINCE PILOT-PROJECT IS ONE OF ITEMS IN VERY FIRST YEAR OF EEC'S EXPANDED ROLE IN ASIA, IT COULD BE REGARDED AS DRAWBACK IF A REGIONAL INSTITUTION LIKE ADB DECLINES COOPERATION EVEN ON PROPOSED LIMITED BASIS. BANK, OF COURSE, HAS ALTERED EEC STAFF TO AVOID RECURRENCE OF SUCH CASES IN FUTURE. END FYI ONLY.

7. ADB PRESIDENT CONSIDERS THAT PROPOSED ASSISTANCE WILL HELP GOI CONSIDERABLY IN DETERMINATION OF ITS POLICY WITH REGARD TO LAND DEVELOPMENT, CROP DIVERSIFICATION AND TRANSMIGRATION AND SETTLEMENT AND WILL ALSO BE CONDUCIVE TO INTENSIVE CULTIVATION OF RELATIONS AND COOPERATION WITH EEC. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

8. ADB DOC. R134-76 ON ABOVE SUBJECT WAS POUCHED DECEMBER 21 AND WILL BE CONSIDRED BY BOARD OF DIRECTORS ON JANUARY 11, 1977.
SULLIVAN

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